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TAGS: [ENRG](#) [ECON](#) [PREL](#) [BR](#) [GY](#) [VZ](#)
SUBJECT: BRAZIL HELPING GUYANA WITH ENERGY IN VENEZUELA BORDER
DISPUTE AREA

Classified By: Charge d'Affaires Lisa Kubiske, Reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: Brazil is in talks with Guyana to build a hydroelectric plant on the border region of the two countries, in the territory disputed between Venezuela and Guyana. International Advisor to Brazil's Minister for Mines and Energy Edison Lobao, Ambassador Rubem Barbosa told Econoff on October 5 that in addition to augmenting the energy capacity for both countries, and bringing Guyana closer politically to its South American neighbors, the project would have the effect of allowing Guyana to establish government infrastructure in the disputed territory. END SUMMARY.

¶2. (C) The idea to build a binational hydro plant in Guyana's border region, near the Brazilian state of Roraima, stems from a meeting between Brazil's President Lula and Guyanese President Jagdeo on September 14 when the two inaugurated a new bridge that will be part of the highway linking Brazil to the sea through Guyana. At that time, Jagdeo, apparently aware of similar Brazilian projects, including the Itaipu Dam with Paraguay and plans for five new dams being constructed with Peru, asked Lula for assistance in meeting Guyana's energy needs. Two weeks later, Lula sent a delegation to meet with Jagdeo, led by Energy Minister Lobao who was accompanied by Barbosa. The group included representatives of Brazilian National Development Bank and likely project financier BNDES, and the Brazilian state-owned electricity company, Eletrobras, which has been charged by Lula to pursue foreign operations with a goal of increasing energy integration throughout the continent. Barbosa cautioned that talks are still in the initial stages, with Eletrobras undertaking an assessment of the area to determine the potential for such a project.

¶3. (C) As currently envisioned, the hydro powerplant would generate 800 megawatts (MWs) of electricity, with 200MWs going to Guyana and the rest returned to Brazil. Brazil would build additional transmission lines to channel the excess electricity to the Amazonian region of Manaus. Despite some press reports that the project could be completed by 2015, Barbosa felt that not only were such projections likely inaccurate, but also premature given the very early stage of discussions. He felt a ten year timeframe was more realistic.

¶4. (C) While helping to meet the pressing energy needs of Guyana and the undersupplied areas of Brazil would be the primary reason for undertaking such a project, Barbosa confided that the political reasons for doing so were also compelling. Given that the proposed hydroplant would be built in the section of Guyanese territory that is disputed with Venezuela, Jagdeo, according to Barbosa, sees this as an important effort to consolidate Guyana's claim to the area. Asked if this wasn't a problematic element of the plan from the Brazilian perspective, Barbosa responded that Jagdeo had observed that Venezuelan President Chavez had not involved himself in the question of the disputed land. This fact, combined with the ruling

by a third party arbiteur that the area in question was Guyanese land, in Barbosa's estimation provided sufficient comfort for Lula to proceed.

15. (C) According to Barbosa, Jadgeo said he is also interested in the project as a means of integrating Guyana more into the South American community, noting that Guyana's future lies with the region, rather than with European allies that Guyana has traditionally relied on. Barbosa said that Lula shares this interest and would like to see Guyana and Surinam involved in the South American organization UNASUL.

16. (C) COMMENT: This type of binational energy project is of growing interest to the GOB, despite recent troubles with the Paraguayan insistence on receiving higher rates from Brazil for energy from the Itaipu dam, to which Brazil ultimately agreed. (Note: According to Barbosa, the Itaipu matter is nearing its conclusion but the resolution is currently awaiting approval from the Finance Ministry which Barbosa said could take a while. Once obtained, the agreement will require Congressional approval, which Barbosa judged to be a foregone conclusion. End note.) Not only is Brazil looking to expand its energy generation capacity, the political efforts are also in keeping with Lula's philosophy of building bonds with neighboring countries through interdependence for energy security and building a South American political bloc, through which Brazil can conduct harmonious regional relations while building a base of support for its larger international ambitions. END COMMENT.

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